

INDUSTRY UPDATE

Biweekly Period Ending April 21, 2001

Phoenix Metro Area

Manufacturing

Two of the Valley's largest high-tech companies are reacting to the economic slowdown in different ways. **Motorola**, which has experienced declining sales of its cellular phones, networking equipment, and microprocessors, has announced worldwide layoffs of 26,000 workers — including more than 500 at Phoenix-area plants — since December. And most recently, the Schaumburg, Ill.-based company said it will **cut costs** through an **eight to 10 percent reduction in production hours**, letting employees take unpaid leave and work part-time, and offering incentives to encourage early retirements. **Intel Corp.**, on the other hand, is taking advantage of the slowdown by **gearing up** for the official **opening of a new fabrication plant in Chandler**. Although the Santa Clara, Calif.-based company has laid off 5,000 workers worldwide, it **continues to hire and train workers** for the \$2.2 billion plant, which will eventually **employ 1,800**, plus **several hundred contract employees**. In addition, Intel hasn't let up on building the 1 million-square-foot plant. Expected to be fully operational this fall, as many as 3,000 workers have toiled 24/7 on the plant since work began in February 2000.

Unable to convince its bank to allow a sale of the company, **Titan Motorcycle Co. of America** was forced to **shut down operations** for good in early April and **lay off 40 employees**. The Phoenix-based company filed for Chapter 11 bankruptcy protection in January, after it was unable to jump-start sales of its line of lower-priced, mass-produced bikes. Started in 1995, Titan quickly gained attention for its line of high-end, hand-made cruising motorcycles (ala, Harley-Davidson).

Construction

Catching almost everyone by surprise, the west Valley city of **Glendale** struck a deal with developer Steve Ellman to **build a \$180 million, 17,500-seat hockey arena** for the Phoenix Coyotes on the **southeast corner of Loop 101 and Glendale Avenue**. The city expects the deal — which also **includes the development of 3 million square feet of office space, hotels, and movie theaters**, plus the redevelopment of an existing shopping center at 59th and Northern avenues — will lead to an explosion of other projects in the immediate area (see below). Ellman, who owns the Coyotes, was working with the city of Scottsdale to build an arena and shopping complex on the former site of Los Arcos Mall (Scottsdale and McDowell roads). However, contentious negotiations between Ellman and Scottsdale leaders over a two-year period led to repeated threats of ending the development proposal, which had received the support of Scottsdale voters on two occasions.

Indicative of the west Valley's potential, at an economic forum held in mid-April at Arizona State University West in Glendale, economist Elliott Pollack predicted the **west Valley's housing market will grow at a rate (5.5 percent) two percentage points faster than the county as a whole over the next 10 years**. Nearly **50 subdivisions** are currently **under development** in the west Valley, including two master-planned communities — Anthem and Sun City Grand.

Lured by \$1 million in incentives (and possibly the arena deal), **Bechtel Group** is **moving an administrative office** from Phoenix to Glendale, with a promise to **add 200 jobs** to its existing workforce of 300. An international construction company, San Francisco-based

Bechtel will **occupy 100,000 square feet** at the **Talavi Business Park**, 55th Avenue and Bell Road. Founded in 1898, Bechtel currently employs 40,000 people in 66 countries.

While the west Valley received most of the attention recently, one major east Valley project was getting under way. Developer **SunCor** and builder **McCarthy Construction** broke ground on **Hayden Ferry Lakeside**, the first commercial development along Tempe Town Lake. The 17-acre project will consist of **three office buildings**, eight to 12 stories tall, along with **retail space** on the ground floors and a **2,500-space underground parking garage**. The first phase of the project, an eight-story building and the first three floors of the garage, is expected to be finished by July 2002.

Transportation, Communications, and Public Utilities

Tempe-based **America West Airlines** will **eliminate 300 management and clerical jobs** (or 10 percent of its administrative staff) through attrition and layoffs by early May. Higher fuel costs and a decline in business travel, which caused a first-quarter loss of \$12.8 million, are responsible for the job cuts, the airline said. America West posted a profit of \$14.6 million in the first quarter of 2000.

Trade

By the summer of 2002, the **Earnhardt family auto business** will consist of a "lucky" **13 franchises at 10 locations** through the Phoenix metro area. The 50-year-old company will open its **12th dealership (Ford) in Apache Junction** later this year and a **13th (Nissan)** at a 27-acre auto mall **near Superstition Springs Mall** next year. Earnhardt, which owns the largest Dodge dealership in the world, employs about 2,000 people at its current 11 dealerships. "And that ain't no bull!"

Minneapolis-based **Target Corp.** will **open two stores** in the **east Valley** later this year, plus take possession of a former Montgomery Ward location on Southern Avenue in Mesa

just west of the Superstition Springs Mall (also see "Tucson Metro Area" for a related story).

A **Target store** will open in **north Scottsdale in July**, followed by a **store at Power and McKellips roads in Mesa in October**. Target Corp. could open a Target, a Super Target, or Mervyn's at the Southern Avenue location, or even sell the property.

"Freestanding" has become the design of choice for new **Walgreen's and Osco drug store locations** planned for the Valley. The reason: drive-thru pick-up for prescriptions. **Osco**, owned by Albertson's Inc., is planning **17 freestanding stores** in the Phoenix metro area **in 2001**. A few of the stores will replace existing locations. **Walgreen Co.** expects to **build between 35 and 40 freestanding stores** in the Valley **over the next two years**, with most opening in 2002. The nation's largest drug store chain, Rhode Island-based **CVS**, expects to **open its first** of an unspecified number of Valley locations **in 2002**. Most of CVS' stores in the Valley will be, you guessed it, freestanding.

Services

The **U.S. Bankruptcy Court** in Phoenix **approved the sale of Phoenix Memorial Hospital**, 7th Street and Buckeye Road, **to Vanguard Health System**. Expected to be completed by May 1, the non-profit hospital will be purchased for \$39 million by for-profit Vanguard, based in Nashville, Tenn. Vanguard owns three other Arizona facilities — Arrowhead Community Hospital in Glendale, Maryvale Hospital Medical Center, and Phoenix Baptist Hospital and Medical Center. There was no information about potential personnel changes at Phoenix Memorial Hospital.

As typical of the volatile dot.com business, one minute you're up and the other minute you're down. Internet portal **Quepasa.com**, which recently said it was going out of business, now is expected to **merge with** an as-yet-unnamed **private real estate company**. Phoenix-based Quepasa.com's name recognition and the potential of its targeted

Hispanic audience led to the deal. **WebWare Group Inc.**, however, is not as lucky. The Tempe-based Internet software company **appears headed for the Cyberspace graveyard** due to the merger of Tosco Marketing and Phillips Petroleum. WebWare and its **40 employees** were providing the online content for Tosco's planned chain of e-Place.com stores, which were going to be a combination convenience store/Internet café. The Internet concept was scrubbed when Phillips announced it was buying Tosco, which owns the Circle K convenience store chain.

Tucson Metro Area

Manufacturing

Texas Instruments Inc. announced it will cut 2,200 U.S. jobs, but **less than 10 positions** will be **affected** at the company's **Tucson facility**. Dallas-based Texas Instruments (TI), which purchased Burr-Brown's facility in Tucson more than a year ago, announced the cuts in mid-April. Like so many computer chip companies, TI's revenues (down 17 percent in the first quarter of 2001) have declined over the last year, forcing major cutbacks.

Trade

Target Corp. has **acquired the leasing rights** to a **former Montgomery Ward store at El Con Mall**, but has not decided what it will do with the 154,000-square-foot property. Target, which has five other stores in the Tucson metro area, has acquired the rights to 35 Wards stores nationally (including one in Mesa, see above).

Beginning in early August, the **Park Place** mall will **feature a 12-store food court and a 20-screen movie complex**. The movie theater and food court, which comprise the second phase of Park Place's redevelopment, replace a space formerly occupied by a Dillard's, which moved to an area east of its former location. The first phase of the redevelopment, which was completed last year, in-

involved changing the interior look of the mall.

Services

University Medical Center is **laying off 100 employees** and eliminating 75 other positions due to a \$5 million budget deficit. The layoffs will not include any nurses or other beside-care personnel. During previous cutbacks, the hospital has been able to offer other jobs to those whose positions were eliminated.

No employment changes are expected by the **planned purchase of NextHealth Inc.** by a group of managers. The \$80 million transaction will return the publicly traded NextHealth to private ownership. NextHealth owns Miraval, a health-related vacation resort, and Sierra Tucson, an inpatient facility that treats addictions.

Balance of State

Construction

Universal Homes expects to begin construction on the **first phase** of the 3,400-home **Granville subdivision in Prescott Valley** by the **end of June**. Located on Glassford Hill Road, the first phase of the project includes 320 homes and a 5,600-square-foot community center with two swimming pools, spa, and tennis courts. Beginning next January, Universal plans to start construction on a 7,000-yard golf course. Further down the road, Universal plans to build a 39-acre entertainment center and a business park featuring high-tech jobs.

Statewide

Manufacturing

As a possible prelude to events to come, **Honeywell International Inc.** said it will reduce its worldwide workforce by 5 percent, including the **elimination of 700 positions in Arizona**. General Electric, which is awaiting formal approval of its takeover of Honeywell,

is expected to cut up to 30,000 jobs at the Morris Township, N.J.-based maker of aerospace, automotive, and electronic products. Prior to Honeywell's most recent cutbacks, the company had reduced its workforce twice since January, affecting 700 jobs in the Phoenix and Tucson areas. Honeywell employs about 16,000 workers in the state.

Finance, Insurance, and Real Estate

Milwaukee-based **Marshall & Ilsley Corp.** is **buying 11 Fifth Third bank branches** in Arizona. The purchase, expected to be completed by fall, includes \$300 million in assets and \$450 million in deposits.

Trade

Fleming Cos. sold nine more ABCO supermarkets to members of the **Independent Grocers Association** (IGA), bringing to 19 the number of locations IGA members have purchased from the Dallas-based food distributor. Besides the stores purchased by IGA, since Fleming put the ABCO chain on the market a year ago, seven stores have been bought by Southwest Supermarkets, 11 by Safeway, and 12 were closed. Most of the ABCO stores are located in the Phoenix and Tucson metro areas.

Richmond, Va.-based **Heilig-Meyers Co.** announced the **closure** of its **five remaining furniture stores in Arizona** as part of plan to shut down its remaining 375 stores nationally. Heilig-Meyers, which previously closed 10 Arizona stores, will shut down locations in Flagstaff, Prescott, Show Low, Kingman, and Holbrook. The closures will **affect about 50 employees**.

INDUSTRY UPDATE

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